

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2009-36-E - ORDER NO. 2009-81

FEBRUARY 17, 2009

IN RE: Petition of South Carolina Electric and Gas	)	ORDER GRANTING
Company (Electric Operations) for	)	PETITION FOR AN
Authorization to Defer Certain Charges to	)	ACCOUNTING ORDER
the Company's Financial Statements	)	(ELECTRIC)
Resulting from the Impact of Recent	)	
Economic Developments on Pension Cost	)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of South Carolina Electric and Gas Company (“SCE&G” or “the Company”) for an accounting order for regulatory accounting purposes authorizing SCE&G to defer as a regulatory asset certain increases in charges to its financial statements required under Statement of Financial Accounting Standards (“SFAS”) No. 87, “Employers’ Accounting for Pensions,” as amended by SFAS 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” primarily as a result of an unusually large change in the fair value of pension assets, which was directly attributable to the recent downturn in the United States economy.

According to the Company, the request for relief does not involve a change to any of the Company’s retail rates or prices at this time, or require any change in any Commission rule, regulation, or policy. Further, the Company asserts that the issuance of the requested accounting order will not prejudice the right of any party to address these

issues in a subsequent general rate case proceeding, therefore, no notice or hearing is required.

SCE&G participates in a noncontributory, tax qualified, defined benefit pension plan, which covers substantially all of SCE&G's permanent employees. The Pension Plan has been funded to the extent permitted by applicable federal income tax regulations. In accounting for the cost of the Plan, SCE&G follows SFAS No. 87, as amended by SFAS No. 158. Among other things, these accounting standards require that pension income or expense be determined, in part, based upon a measurement of the fair market value of the Plan's assets at the end of the previous fiscal year (December 31).

To assist in meeting the benefit obligations of the Plan, the funds within the Plan are invested in various investment vehicles. In recent years, the Pension Plan has generated significant amounts of pension income. During 2008, the United States fell into a recession. As a direct result, the Pension Plan experienced a significant decline in the fair value of its assets. For the first time since 2003, the Pension Plan will not generate pension income, but instead will incur pension expense in 2009.

Currently, SCE&G's electric rates are based upon annual pension income of approximately \$4 million. This treatment has had the effect of reducing the Company's operating and maintenance expenses and therefore reducing customer base rates. In contrast, because of the decline in value of plan assets, the electric utility operations of SCE&G are expected to incur an expense of approximately \$22.7 million for the year ended December 31, 2009, or an increase of approximately \$26.7 million over those pension amounts reflected in current rates. Because of this unusually large change in

pension expense brought about by national economic conditions, the Company seeks authorization from this Commission to defer as a regulatory asset the difference between the level of pension income currently included in its base rates and the level of pension expense it would be required to record under the current generally accepted accounting standards. SCE&G requests that it be allowed to continue such deferral until such time as recovery of these additional costs is provided for in Commission approved base rates.

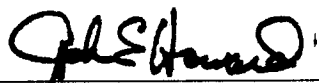
The Petition for an accounting order is granted. Clearly, the recent downturn in the economy is unprecedented. In general, the Company has seen an annual pension income, rather than an expense. This income has reduced electric rates. Rather than this Commission considering an increase in electric rates at this time to recognize the pension expense that has lately resulted, we agree that it is more prudent for the Company to defer the difference between the level of pension income currently included in base rates and the level of pension expense it would be required to record under the current generally accepted accounting standards, and that the Company be allowed to continue the deferral until such time as recovery of these additional costs is considered by the Commission for inclusion in approved base rates.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

  
Elizabeth B. Fleming, Chairman

ATTEST:

  
John E. Howard, Vice Chairman  
(SEAL)